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Executive Registry

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MEMORANDUM FOR: Director of Central Intelligence

FROM : Acting Deputy Director for Management
and Services

SUBJECT : Amendment to the CIA Retirement Act

1. Action Requested: This memorandum recommends that the Agency immediately seek before the adjournment of this session of Congress an amendment to the CIA Retirement Act to liberalize eligibility for cost-of-living increases in a way similar to that recently approved for the Civil Service Retirement System.

2. Basic Data or Background: Recent legislation was enacted into law, PL 93-136, which liberalizes eligibility for Civil Service Retirement cost-of-living increases. Employees retiring on or after the effective date of a cost-of-living increase, or survivors of employees who die after that date, are guaranteed an annuity at least as large as that which would have been payable if the employees retired or died before the effective date of the increase. The legislation applies to annuities which begin on or after 2 July 1973 and is designed to (1) eliminate the anomaly of a difference in amount between annuities that commence on or before the effective date of a cost-of-living increase and those that commence shortly after that date, (2) moderate the peaking of retirements immediately before cost-of-living increases become effective, and (3) reduce the disruption in the work of Government agencies caused by many employees suddenly retiring at the same time.

Under the previous law, cost-of-living increases were granted only to those individuals who retired before the effective date of the increase. Thus, the 6.1% increase which was effective 1 July 1973 was granted to employees who retired by 30 June 1973. The effect was to cluster retirements immediately before cost-of-living increases creating pressing administrative problems and expense for the Civil Service Commission, adversely affecting employing agencies because of the inordinate

number of employees deciding to retire on short notice, and delaying payments of annuities because of the large number of retirements.

The new law provides that employees who retire between 1 July and 31 December 1973 can obtain, if to their advantage, the July cost-of-living increase. Based on the Consumer Price Index released in September and October, it now appears that another cost-of-living increase will be effective on 1 January 1974 for annuitants who have retired by 31 December 1973. If this occurs, employees who retire by 31 December will be eligible for the 1 July 1973 cost-of-living increase and the one on 1 January 1974. Employees who retire after 1 January are eligible only for the January cost-of-living adjustment. Since the legislation is an amendment to the Civil Service Retirement Act, it has no effect on CIARDS.

3. Staff Position: We have reviewed with representatives of the Offices of General Counsel, Legislative Counsel, Personnel, and Finance the question of whether the Agency should seek an equivalent amendment to CIARDS. For reasons set forth below, I believe the Agency should seek this legislation.

a. There would be a significant benefit both to CIARDS participants and the Agency. Employees would be given a more liberal option of deciding when to retire without forfeiting cost-of-living adjustments which have been authorized. Employees would not be forced to retire by 31 December. They could retire after 1 January and still receive the January increase. The Agency would derive benefits since currently there are CIARDS participants who are eligible for voluntary retirement. However, it is always hard to predict how many employees eligible for voluntary retirement might opt to accelerate their retirement dates for the purpose of obtaining a cost-of-living increase. Much will depend on the size of the January cost-of-living adjustment. Already at a minimum of 4.7%, it is expected to be substantially higher. If so, we might anticipate large numbers of CIARDS participants opting for retirement, thus creating the same administrative problems and expenses as well as the disruption to Agency work which the new legislation was designed to correct.

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b. For participants who have already retired or for survivors of participants who have died, the retroactive feature to 1 July 1973 could provide a significantly higher annuity or survivorship benefits than they are now receiving. Since 1 July 1973, 11 participants have retired under CIARDS and five participants have died.

c. The new legislation covers all Federal employees, including Agency employees, who are under the Civil Service Retirement Act. In view of the Government-wide coverage of the new legislation, the principle of comparability dictates that the legislation, which was aimed at correcting inequities to employees and avoiding problems of concern to management, should be extended to CIARDS. If comparability is not obtained, we anticipate some deep concern among CIARDS participants.

d. The Office of Legislative Counsel has sounded out our staff people on the Hill and with OMB, and they will make every effort to move the amendment this session if we feel that the need is great.

4. Recommendation: That you approve immediate submission of a proposed amendment to CIARDS to provide the same liberalization of eligibility for cost-of-living increases which has been approved for the Civil Service Retirement Act.

/s/ Robert S. Wattles

Robert S. Wattles
Acting Deputy Director
for
Management and Services

APPROVED:	<u>/s/ W. E. Colby</u>	<u>1 NOV 1973</u>
		Date
DISAPPROVED:	_____	_____
		Date

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